United States Policy Toward the Middle East

By

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In the Middle East, as in the rest of the world, we stand on the threshold of a new millennium. But this region finds itself caught between its turbulent, conflict-ridden past and a future of greater peace, stability, prosperity, and popular participation. It is not yet clear which direction the Middle East will take because the indicators are mixed.

The difficulties in the Arab-Israeli peace process on all tracks over the past two and a half years had the effect of dramatically slowing the momentum toward positive change in the region, and it reduced the hopes of many that a comprehensive peace would usher in a new era of coexistence and regional cooperation. Last month, however, the Israeli people voted for change, and Prime Minister-elect Ehud Barak now has a strong mandate to continue the search for a comprehensive Arab-Israeli peace.

Saddam Hussein's defiance of the U.N. Security Council threatens to destabilize the Gulf while exacting a heavy price from the Iraqi people. But the Iraqi tyrant has emerged from the Desert Fox campaign weakened and isolated and less capable of creating trouble for his neighbors.

President Khatami's election in Iran and the recent local elections there have made clear that a significant majority of the people of this great nation support political liberalization, respect for the rule of law, and a constructive role for Iran in regional and international affairs. But this evolution still faces strong and sometimes violent opposition from some quarters inside Iran. Moreover, Iran's determined development of ballistic missiles to enable delivery of its weapons of mass destruction over long distances has the potential to trigger a new and dangerous arms race across the region.

Extremism is now on the defensive in Algeria and Egypt after years of bloody confrontation. Across the Arab world a gradual struggle for political liberalization and economic reform is taking place. In Morocco, the opposition has become the government; in Qatar women have voted for the first time in a GCC state, and Kuwait has decided to permit women to vote as well; and the Palestinian Authority is being held to account by an elected Palestinian Legislative Council. Developments in the recent Algerian elections were a disappointment to us, but the people's desire for political and economic reform is manifest and President Bouteflika is beginning to make clear his intention to respond to their aspirations. Meanwhile, Egypt, Tunisia, and Morocco have implemented significant and far-reaching economic reforms.

Finally, King Hussein's untimely death has underscored the fact that a process of succession is underway across the region after decades of unchanging rule in most Arab countries. The transitions in Jordan and Bahrain have been encouragingly smooth, but these may be the

exceptions rather than the rule. And we must remain cognizant of the fact that over the next decade, leaders who have built up credibility and legitimacy over many years will be replaced by a younger generation that will take some time to establish itself.

Because the Middle East is a region of vital interest to the United States, we are committed to helping it achieve a better future in the 21st century than what it has experienced in the last half of the 20th century, when the Middle East was often a synonym for trouble and hopelessness. Above all, we have an intense interest in preventing it from backsliding into another era of extremism and conflict, marked by a new arms race in ballistic missiles and weapons of mass destruction.

In confronting these challenges, we have sought on the one hand to contain those governments or political movements that use violence as a matter of policy to advance a hostile agenda. At the same time, we have mounted a steady and determined effort to expand the breadth and depth of our partnerships with friendly governments in the region to promote the peace, stability, and prosperity which remain our abiding vision for the Middle East. We have also sought to encourage states in the region that have developed the bad habit of acting outside of international norms to change in ways that would permit their reintegration into the international community. As a consequence, this always crisis-prone region has seen a marked decline in violence and conflict in the past six years and now has the potential for a significant deepening of peace and stability.

As we look to the future of the region, the question before us is: How can we widen the circle of peace while countering those who would oppose the promotion of a more normal existence for all the people of the region? The answer in our minds is clear. We must broaden the scope and depth of our relationships with those states that share our commitment to a more peaceful and prosperous region, working with them to achieve our common vision. At the same time, we must enforce our ability to overcome those forces that threaten our interests.

Arab-Israeli Peace Process

Looking back in time, enormous progress has been made in realizing the historic goal of a comprehensive Arab-Israeli peace. Some twenty years after the Israel-Egypt treaty, which remains the bedrock of all subsequent progress, peace between Israel and all of her neighbors is in sight.

In the six years since the signing of the Declaration of Principles in Washington, we have witnessed the signing of a peace treaty between Jordan and Israel, the Israeli-Palestinian Interim Agreements, the Hebron Protocol, and the Wye River Memorandum. The PLO has revised its Charter, and Arafat has pledged that there will be no return to violence. The Likud-led Government of Israel took a historically important step by agreeing to redeploy from parts of the West Bank, thereby resolving an ideological debate decisively in favor of the principle of land for peace and territorial compromise in the West Bank.

The process of normalization and Middle East Economic Summits have resulted in the abandonment of the secondary Arab boycott and the establishment of commercial contacts between Israel and all but a handful of Arab countries, including the establishment of trade offices with Morocco, Tunisia, Oman, and Qatar. And although agreement was not reached, Israeli-Syrian negotiations did establish the basis for settlement of that longstanding conflict.

The coming period offers a renewed opportunity to move forward on all tracks. Once Prime Minister-elect Barak forms his government, we expect he will come to Washington to discuss with President Clinton how best to proceed on the peace process. For our part, and in full coordination with all the parties, we intend to work vigorously on furthering comprehensive peace in the region. On the Palestinian track, we believe that the Wye River Memorandum should be implemented and we have called on both parties to engage in accelerated permanent status negotiations and rededicate them to the goal of reaching an agreement within a year.

Throughout the peace process, we have been guided by the belief that agreements can only be reached through direct negotiations. The only bases for negotiating a peace agreement between Israelis and Palestinians are the terms of reference defined in Madrid and the principles agreed to in the Oslo Accords. These include U.N. Security Council resolutions 242 and 338; they do not and never have included U.N. General Assembly resolution 181.

Our experience has taught us the importance of the parties creating the proper environment for progress in their negotiations and for dealing with differences through those negotiations. That is one reason why the Administration is working hard to see that the proposed July 15 meeting of the High Contracting Parties to the Fourth Geneva Convention does not take place. We have voiced our opposition to such a meeting in the strongest terms, have made clear that we would not attend a meeting if it takes place, and we have encouraged all others to do likewise. This meeting will not contribute to the peace process. That is also why we have called on both sides to refrain from taking unilateral steps, such as unilateral declaration of statehood or provocative settlement activity, that could prejudge the outcome of permanent status negotiations.

Between Israel and Lebanon, and Israel and Syria, there have been no direct negotiations in three years, and these tracks should move forward as well. When there were negotiations between Israel and Syria, progress was made but significant gaps remained, particularly in the all-important area of security arrangements. If the parties are willing to match our effort, we are prepared to do our part to help bring about peace between Israel and Syria. This is not only because of our commitment to a comprehensive peace, but also because an Israel-Syria peace agreement would contribute to peace between Israel and Lebanon and would have important regional benefits as well.

North Africa

With regard to Libya, we have seen almost ten years of efforts finally bear fruit in the delivery last April for trial of the two Libyan suspects in the 1988 bombing of Pan Am flight 103. This extraordinary effort succeeded because of sustained cooperation from our British and Dutch allies, both of which had to adopt special legislation to accommodate the initiative. U.N. Secretary General Kofi Annan also played a critical role, and the personal involvement of former South African President Mandela and HRH Crown Prince Abdallah of Saudi Arabia was a crucial factor in the final push to obtain Libyan compliance. Because we now have the real possibility of a trial, we are a critical step closer to achieving a measure of justice for the victims of that appalling attack and for their families.

The surrender of the suspects has led to the suspension of the U.N. Security Council's sanctions against Libya, as the relevant U.N. Security Council resolutions provide. The permanent lifting of those sanctions will require a further resolution by the U.N. Security Council. That Council action would follow a report by the Secretary General on the status of Libyan compliance with the remaining requirements of the Security Council Resolutions, specifically, to:

- end and renounce support for all forms of terrorism;
- pay appropriate compensation;
- acknowledge responsibility for the actions of its officials; and
- cooperate with the investigation and the trial.

We do not think the Secretary General will be able to report positively on Libyan compliance with those requirements by the early July deadline for his report. This is true particularly because Libya's obligation to cooperate must be measured in part by its response to requests from the Scottish court. We are aware, however, that many Security Council members are anxious to close the chapter of Libya sanctions, and might be prepared to accept Libyan assurances instead of actions. We are not. We will not seek to delay unnecessarily the transition to a permanent lifting of sanctions. We would like to see Libya genuinely comply and return to full participation in the family of nations. But the requirements set by the Security Council are real and must first be addressed. We would prefer to avoid unnecessary confrontation in the Council on this issue, but are prepared, as the Secretary has indicated, to veto a Resolution lifting sanctions if it is presented before we are satisfied with Libyan actions.

We will be talking very shortly in New York with the Secretary General and our British counterparts and Libyan representatives to communicate our views about what the Libyans need to do to address the points I have listed. And we are prepared to continue dialogue with them to make clear the actions they need to take to comply fully with the U.N. Security Council resolutions.

United States unilateral sanctions against Libya remain in place. It is too early to speculate about the future of bilateral relations with Libya, or about any future actions with respect to our unilateral sanctions until we see what the Libyans are prepared to do to satisfy the remaining requirements of the U.N. Security Council resolutions.

Elsewhere in North Africa, we remain engaged with our friends, particularly Morocco and Tunisia, on issues ranging from political and economic reform, to support for the Middle East peace process, to military cooperation, and human rights. We are seeing progress on those issues, though it can be hesitant and uneven. Algeria remains of great concern: the level of violence is not what it was a year ago, but we have not yet seen the kind of progress on political and economic reform we think is fundamental to a secure, prosperous and democratic future for Algeria. Yesterday, President Bouteflika announced an amnesty for members of the AIS who renounce violence and terrorism. This is an important step forward. We hope that it presages an approach by President Bouteflika toward rebuilding Algeria that we can actively support.

The dispute between Morocco and the Polisario Front over the territory of the Western Sahara is another issue of concern. We continue to support the efforts of the U.N. and former Secretary of State James Baker to implement the settlement plan to which Morocco and the Polisario have agreed. Like many others, however, we would like to see the two parties move forward to the holding of a referendum or be prepared to engage in what they have committed themselves to doing under the plan, or to indicate an alternative means of settling this issue.

Iraq and Iran

Let me now turn to Iraq and Iran by reviewing what has become known as our "dual containment" policy toward Iraq and Iran, a policy enunciated by the Clinton Administration six years ago and pursued with vigor ever since.

Dual containment was premised on the notion that the U.S. needed to shift away from our earlier policy of relying on either Iraq or Iran to balance each other, a policy we had followed throughout the previous decade with disastrous results. Instead, we judged that both regional powers, while war—weary and economically weakened, were still militarily ambitious and clearly hostile to the United States and our interests in the region. We therefore decided to focus our efforts on containing Saddam Hussein's threats to his neighbors and his own people, while at the same time pursuing multilateral efforts to prevent Iran from acquiring and developing weapons of mass destruction (WMD) and the ballistic missiles necessary to deliver them. Our policy visar-vis Iran was also based on continuing to seek change in dangerous Iranian policies, including support for terrorism, subversion of friendly governments, and violent opposition to the Middle East peace process, through economic pressure aimed mainly at Iran's oil industry.

Dual containment, however, never prescribed identical policies toward Iraq and Iran, nor was dual containment designed to be static or inflexible over time. Indeed, it is quite natural that these two states would evolve differently, and that our policies would evolve in response. Nor was dual containment meant to impose a kind of Pax Americana on the region, in which we would try to exclude Iran and Iraq, both large and important regional players, permanently from making positive and constructive contributions to the economics, politics, and security of the region, should they change their hostile ways.

Over the past six years we have in fact seen pronounced differences in the evolution of both the external and internal policies of these two regional powers. And U.S. policy has adapted itself in response.

Iraq, under Saddam Hussein, remains dangerous, unreconstructed, and defiant. We have come to the conclusion, after more than seven years of effort at seeking Saddam's compliance with U.N. Security Council resolutions, that his regime will never be able to be rehabilitated or reintegrated into the community of nations. This conclusion is based on what Saddam's record makes manifest: that he will never relinquish what remains of his WMD arsenal, and that he will never cease being a threat to the region, U.S. interests, and his own people. It is based on Saddam's policies, not on any predetermined policy of our own. Thus, in November of last year, President Clinton announced a new policy with regard to Iraq: henceforth, we would contain Saddam Hussein while we sought a new regime to govern in Baghdad. The President committed the United States to support those Iraqis, inside and outside Iraq, who seek a new government and a better future for all the people of Iraq.

The evolution in Iran, and hence our own response, has been markedly different. In recent years, the Iranian people have demonstrated a desire for greater participation in their governance, freedom from undue interference by the state in their private affairs, and greater openness and contact with the outside world. Iran's leaders have taken steps to address these concerns, conducting generally fair presidential and local elections, allowing increased public debate, and publicly shifting from a foreign policy of confrontation to one of dialogue and cooperation. Despite these positive developments, we continue to have serious concerns about some Iranian policies that violate international norms and threaten our interests and those of our allies.

We would be remiss, however, were we to fail to adjust our approach to the changing reality in Iran. As Iran's leaders have shown an interest in constructive engagement with the international community, we have sought to respond by highlighting our interest in encouraging changes in Iranian behavior and establishing through dialogue a road map for building a more cooperative

relationship. Secretary Albright enunciated this approach last June in her speech to the Asia Society in New York.

Iraq

Some eight years after the Gulf War and Saddam's persistent defiance of the international community, we are under no illusions that Iraq under Saddam Hussein will comply with U.N. Security Council resolutions on disarmament, human rights, accounting for POWs, and the return of stolen property.

In view of this reality, our policy rests on three pillars. First, as long as he is around, we will contain Saddam Hussein in order to reduce the threat he poses both to Iraq's neighbors and to the Iraqi people. Second, we will seek to alleviate the humanitarian cost to the Iraqi people of his refusal to comply with U.N. Seccurity Council resolutions. Finally, we will work with forces inside and outside Iraq, as well as Iraq's neighbors, to change the regime in Iraq and help its new government rejoin the community of nations.

Our policy of containment plus regime change is designed to protect the citizens of Iraq and its neighbors from an aggressive and hostile regime. Sanctions prevent Saddam Hussein from reconstituting his military or WMD capabilities. Operations Northern and Southern Watch prevent Saddam from using his air force against the civilian populations north of the 36th parallel and south of the 33rd. We maintain a robust force in the region, which we have made clear we are prepared to use should Saddam cross our well established redlines. Those redlines include should he try to rebuild his weapons of mass destruction; should he strike out at his neighbors; should he challenge allied aircraft in the no-fly zones; or, should he move against the people living in the Kurdish controlled areas of Northern Iraq.

Let me be particularly clear on this point: the United States is concerned for the protection of all Iraqis against the repression of the Baghdad regime. Hence, we believe that the world community should tolerate no backsliding from Baghdad's obligations under any of the U.N. Security Council resolutions intended to protect the people of Iraq and its neighbors from the depredations of the current Baghdad regime. In particular, Resolution 688 twice cited the consequences of Baghdad's repression of the Iraqi civilian population as a threat to international peace and security. It therefore demanded that Baghdad "immediately end this repression." Baghdad is in flagrant violation of this U.N. Security Council resolution, as it is of so many others.

We are committed to maintaining U.N. Security Council sanctions against the Iraqi regime, while lifting the burden of sanctions off the backs of the Iraqi people through the expansion and streamlining of the oil-for-food program. This humanitarian relief program is the second pillar of our policy. Sanctions were never directed against the humanitarian needs of the Iraqi people. In fact, food and medicine are specifically exempt from sanctions. Iraq has always been free to buy and import these goods, but Saddam Hussein has long chosen not to do so in order to manipulate public opinion by deliberately causing the suffering of his own citizens. Our response has been to first establish, and then expand the oil-for-food program, which provides a mechanism for the international community to control the use of revenues from the sale of Iraqi oil for the purchase of humanitarian supplies for the Iraqi people. Despite interference by the regime, the oil-for-food program has ensured that the people of Iraq receive the food and medicine, which their own government denies them. There is a fundamental principle at work here. As long as the current

Baghdad regime is in defiance of the U.N. Security Council resolutions, we will never allow him to regain control of Iraq's oil revenues. They will continue to be escrowed by the U.N. and their uses controlled by the U.N. sanctions committee.

Although effective, containment has its costs. As we have seen repeatedly since 1991, even a contained Iraq under its current leadership remains a threat both to the stability of the region and to the welfare of the Iraqi people. Both are paying too high a price for Saddam's continued rule. In our judgment, both urgently deserve better. It is past time for Saddam to go.

For these reasons, President Clinton announced in November that the United States would work with the Iraqi people toward a government in Iraq which is prepared to live in peace with its neighbors and respect the rights of its people. We are fully committed to supporting the Iraqi people in bringing this about. In pursuit of this objective, the United States will adhere to two important principles: one, we will uphold the territorial integrity of Iraq; and two, we will not seek to impose from the outside a particular government or leaders on the people of Iraq. We do support a change of government that will be responsive to the aspirations of the Iraqi people, one that takes meaningful steps toward a democratic future for the country and can represent fairly the concerns of all of Iraq's communities. And we will work with a new Iraqi government, as it pledges to fulfill its international obligations, to lift the sanctions, to deal with the large debt burden, and to reintegrate Iraq into the international community.

If it is to be successful, change must come from within, from the Iraqis themselves. In particular, the security forces and the people must stand on the same side. The support of Iraqi exiles, including the politically active opposition, along with neighboring states, however, is indispensable: the captive Iraqis need a voice. And, in particular, the internal Iraqi resistance needs a voice, through the Iraqi Opposition living in freedom, to make clear to all Iraqis and to the world its aims. The Iraqi National Congress has described these resistance aims to us as: first, to bring the security forces to the side of the people in changing the regime; and second, after the current regime passes, to stand with all Iraqis in promoting reconciliation and reconstruction. Our approach is to work in an intensive and coordinated way with these Iraqis and other countries that support these aspirations of the Iraqi people.

Free Iraqis, those in exile and those who live in relative freedom in northern Iraq, bear a special responsibility to develop a coherent vision for a brighter future. They must take the lead in developing and promoting an alternative vision based on the restoration of civil society, the rebuilding of the economy, and the promotion of a new role for Iraq as a force for peace and reconciliation in the region. They can also play an effective role in delegitimizing Saddam, in helping to build the case for his prosecution as a war criminal, and in getting the truth into and out of Iraq. And, as Iraqis committed to a future vision of Iraq that appeals to Iraqis inside and to Iraq's neighbors, they can best build the case for the support of regional states to channel more material assistance to the Iraqi people and their resistance elements.

Congress has provided the Administration with a number of important tools to support Iraqis who are working toward a better future for Iraq. These include earmarks of \$8 million in existing Economic Support Funds. We are using these funds to strengthen the political unity of the opposition, to support the Iraq war crimes initiative, to support humanitarian programs and the development of civil society, and for activities inside Iraq.

We also have established and recently stepped up broadcasting hours for Radio Free Iraq, which operates independently and broadcasts daily in Arabic uncensored news and information to the Iraqi people.

We have named a Special Coordinator for Transition in Iraq, Francis Ricciardone, who is managing the overall effort. Mr. Ricciardone has already had considerable success in helping disparate opposition groups work together and elect a new interim leadership that right now is preparing the way for an Iraqi opposition conference that will have as broad participation as possible. He also is consulting intensively with regional states on how best to promote our shared interests in the reintegration of Iraq to the world community under a government that will act responsibly both internally and externally.

We have also made progress working with the two major Kurdish factions in the North, the PUK and the KDP, to help them reconcile their differences and better provide for all the people of northern Iraq. The two major Kurdish leaders, and other groups from northern Iraq, have played a very positive role in reunifying and reviving the Iraqi National Congress. This portends well for the contribution that the Kurds, Turcomans, Assyrians, and Arabs of the North must also make in reunifying and rebuilding Iraq when a new leadership in Baghdad makes this possible.

Finally, there is the Iraq Liberation Act, which provides discretionary authority to the President to direct up to \$97 million in Defense Department drawdown and training for designated Iraqi opposition groups. We have now begun drawing down this account for the provision of nonlethal supplies to the opposition.

Many have called on the President to use this authority to arm the Iraqi opposition and support military action against Saddam Hussein. We believe such action is premature. There are a host of issues that must be resolved before such equipment and training could be provided with confidence that it would advance our objectives of promoting a change of regime and not just lead to more Iraqis being killed unnecessarily. One requirement is a credible, broad-based, Iraqi political umbrella movement, based on consensus, that can authoritatively articulate a future vision for those Iraqis who now lack a voice in their own fate. Hence, the first kinds of support which we will provide to the Iraqi Opposition under the drawdown will be to meet their most urgent requirements: equipment for the infrastructure vital to the effectiveness of an international political advocacy movement; broadcasting equipment; and training in "civil affairs." Further kinds of material assistance to the Iraqi opposition can be provided when they can best be absorbed and exploited.

To channel substantial assistance to those resisting Saddam's oppression inside Iraq, we will need the cooperation of Iraq's neighbors. Although they all share and support the Iraqi people's longing for a change of regime in Baghdad, they have strong views about how we can help the Iraqi people reach this goal. We must take those views into account, and gain their cooperation in promoting the recovery of Iraq as a good neighbor and contributor to regional stability.

Iran

Secretary Albright discussed our policy toward Iran at length in her Asia Society speech a year ago. The main point the Secretary made was that we are prepared to develop with the Islamic Republic, when it is ready, a road map in which both sides would take parallel steps leading to normal relations. Unfortunately, the Iranian government has made clear that at this stage it is not ready to engage, insisting instead that the U.S. first take a number of unilateral steps.

Given Iran's reluctance to begin a bilateral dialogue, we have pursued other avenues that can serve to broaden our engagement with Iran. We have worked constructively with Iran in multilateral settings on issues of common concern, such as countering the spread of narcotics and the situation in Afghanistan. Last year, Iran's eradication of its poppy crop meant that Iran no longer met the criteria for inclusion on our list of major drug producers. Accordingly, we removed Iran from that list, and we fully support the U.N. Drug Control Program's plans to increase its cooperation with and activities in Iran. This is a case where positive Iranian actions have been met with a positive U.S. response. We also continue to work with Iran in the six-plus-two forum at the United Nations on Afghanistan, where the Islamic Republic has played a constructive role in the search for a peaceful solution to the civil strife in that war-torn country.

We have also noted with interest Iran's improving relations with the Arab world, particularly on the other side of the Persian Gulf. High-level visits are now occurring between Tehran and most of the capitals of the Gulf Cooperation Council states. We welcome a relaxation of tension in this part of the world; at the same time, we remain closely in touch with our Arab friends in the region and share their cautious approach that is based on testing Iran's willingness to abandon destabilizing policies. In this regard, we remain concerned at Iran's threatening approach to the islands dispute with the UAE.

We have also supported greater contact between our two peoples, for we believe that such exchanges can increase mutual understanding and respect and can help overcome decades of mistrust. We have streamlined our visa policies and supported academic and athletic exchanges. We have hosted wrestling teams, newspaper editors, film directors and musicians, and numerous Iranian scholars. At the same time, we are pleased that Iran has opened its doors to increasing numbers of American visitors: wrestling teams, scholars, graduate students, and museum officials.

Given the intense interest in U.S. sanctions policy with respect to Iran, it is important to recall the rationale for the sanctions as well as our reasons for some decisions we have made recently in this regard, in particular the adjustment to our economic sanctions policy which will now allow the export of certain foods and medicines to Iran and other sanctioned countries.

Within the context of a broad review of U.S. sanctions policy, President Clinton recently announced his decision to exempt commercial sales of food, medicines, and medical equipment from future and current sanctions regimes where we have the authority to do so. This decision will enable the sale of certain U.S. items to Iran. It does not, however, conflict with our policy of applying economic pressure on the Iranian government. Any benefit derived will accrue to the Iranian people and to American farmers and manufacturers. It is important to remember that U.S. sanctions policy seeks to influence the behavior of regimes, not deny their people basic humanitarian necessities. Our conclusions remain the same about Iran's objectionable policies. What has changed is our calculation of the impact on our overall policy objectives of including food and medicine in sanctions regimes. Sales of food, medicine and other human necessities do not enhance a nation's WMD capabilities or its ability to support international terrorism.

This adjustment of our sanctions policy does not provide for the automatic approval of agricultural and medical sales. Instead, it shifts the presumption in favor of such sales. We are now working with Treasury's Office of Foreign Assets Control, U.S. Departments of Agriculture, Commerce, and other relevant agencies to develop country-specific licensing criteria for Iran and for the other countries affected by the change, based on the principle that the sanctioned

government should not benefit from this adjustment to our sanctions policy. In general, however, we can say that all sales will have to be conducted at prevailing market prices and will be restricted to nongovernment entities or to governmental procurement bodies not affiliated with the coercive organs of the state. It is also a requirement that there be no U.S. government funding, financing, or guarantees in support of the sales authorized by this changed policy.

Apart from that recent adjustment, our sanctions policy will remain in force vis-a-vis Iran. The reasons behind this policy of applying economic pressure remain the same today as they did when that policy was first invoked. U.S. sanctions are a response to Iranian government practices that violate international norms and threaten our interests and those of our allies. Their intent is to deprive Iran of the resources to pursue those activities and to demonstrate to Iran's leaders that pursuing such policies comes at a price. In this regard, we will continue to oppose bilateral debt rescheduling, Paris Club debt treatment for Iran, and the extension of favorable credit terms by Iran's principal foreign creditors. We will also continue to oppose loans to Iran by the international financial institutions.

Some of these objectionable Iranian government practices unfortunately have continued, although not to the same degree in all areas, under the present government. Iran remains on this year's State Department list of state supporters of terrorism. While Iran apparently conducted fewer anti-dissident assassinations abroad in 1998 than in 1997, Iran continued to support a variety of groups that use terrorism to pursue their goals. And despite Iranian public statements condemning certain terrorist acts or expressing sympathy for Kenyan and Tanzanian victims of the August 1998 bombings of the U.S. embassies in Nairobi and Dar es Salaam, Iranian support for terrorism remains in place.

At the same time, Iran accurately claims it also is a victim of terrorism. In 1998 several high-ranking members of the Iranian government were attacked and at least two were killed in attacks claimed by the terrorist group Mujahedin-e Khalq (MEK). More recently, that same group claimed responsibility for the assassination of Iran's deputy chief of staff. We condemn these acts as we condemn all acts of terrorism.

President Khatami has publicly denounced terrorism and condemned the killing of innocents, including Israelis; the Iranian government has also stated that Iran would accept a peace acceptable to the Palestinians. We assume that these statements are sincerely made, and it is therefore also reasonable for us to expect that the actions and policies of the Islamic Republic should reflect them. Unfortunately, so far this has not been the case. Iran was harshly critical of the Wye Agreement, and its Hezbollah proxy in Lebanon threatened Arafat's life. And President Khatami himself met with leaders of the Palestinian rejectionist groups when he visited Syria last month and apparently promised them more support.

We are also concerned at Iran's continued drive to develop weapons of mass destruction and the ballistic missiles necessary to deliver them. Clandestine efforts to procure nuclear, chemical, and biological weapons continue despite Iran's adherence to relevant international nonproliferation conventions. In this regard, we are particularly concerned about Iran's nuclear drive. Last summer, Iran also tested a ballistic missile, the Shehab III, capable of delivering warheads 800 miles and reported to be close to producing a missile with an even greater range. These developments pose significant potential threats to U.S. forces and to our friends in the region.

Clearly, our concern about Iranian WMD and missile development must be considered in a regional context. We continue to support a Middle East free of all WMD. But the kind of proliferation we see in the region today, be it in Iran, India, or Pakistan, is leading exactly in the wrong direction. Proliferation on the eastern side of the Persian Gulf is, among other things, increasing nervousness on the other side of the Gulf and could drive other countries to seek their own weapons systems.

We have to act quickly to forestall this imminent arms race in ballistic missiles and WMD by working with Israel, our Arab allies, and Turkey to help boost their abilities to deal with their emerging threats. These responses include strengthening active and passive defenses, enhancing deterrence, slowing down proliferation through relevant multilateral arms control regimes and other means, and encouraging moderation in the policies pursued by those regimes that are trying to acquire these systems. The threat of weapons of mass destruction is based on a mix of capability and intention; thus, it is imperative that we continue to work both on stemming proliferation and on encouraging more acceptable international behavior.

Iran's efforts to develop WMD and ballistic missiles, together with its other ongoing policies of concern, are the reason we oppose investment in Iran's petroleum sector, Iran's participation in the development and transport of Caspian resources (including pipelines across Iran), multilateral lending to Iran, and Iran's full integration in international economic fora. A change in the U.S. position on these issues will require Iran to bring its practices into line with international norms, or at least demonstrate a willingness to begin such a process. It was with this and our larger interests in the Caspian in mind that we recently denied the application from a U.S. company to engage in an oil swap arrangement with Iran.

For the moment, we know that our policy to pressure Iran economically is having an effect on Iran. We look forward to a time when greater economic interaction with Iran will be possible, but this depends on the Iranian government's willingness to address practices that in our view continue to disqualify Iran from enjoying the full economic and commercial advantages that come with responsible membership in the international community.

Finally, we continue to observe with great interest internal developments in Iran. As we have often said, we fully respect Iran's sovereignty and the right of the Iranian people to choose their system of government as they see fit. That said, we will not shy away from expressing our support for values that we believe to be universal: human rights, rule of law, free markets, and democracy. In this regard, both the presidential election in 1997 and the recent municipal elections were remarkable for their openness and the level of participation of the Iranian people. Statements by President Khatami in support of human rights and the rule of law deserve acknowledgment and support. At the same time, we are concerned at the gap that often remains between words and deeds. For example, we find it hard to reconcile President Khatami's words with the announcement yesterday that 13 members of the Jewish communities of Shiraz and Isfahan, including rabbis, would be charged with espionage. These arrests send a very disturbing signal. We call on the Government of Iran to ensure no harm comes to these individuals and to release them.

We continue to believe that nations living according to democratic and pluralistic values internally will also abide more fully and more naturally with internationally accepted norms of behavior in their foreign policies. This is a principle that underlines our approaches to both Iran and Iraq, as well as to other parts of the world.